**Monopolies-**

D doesn’t equal MR-➔ why not? Because firm=industry

Can D=MR? if so will the monopolist produce more?

**HOW DO YOU PRICE DISCRIMINATE**

Market Segregation

No resale

Review deadweight loss- different production levels of MC=MR versus MC=P

TR would become a straight line if D=MR, far more profitable for firm.

How would that affect production? Greater output, higher profitability for the firm, transfer Consumer to Producer Surplus, less deadweight loss.

Graph to show that even if P=ATC, so that w/out Price Discrimination- no profit- show parabolic curve w/TR only touching TC at one point (zero econ. Profit). BUT, w/full price discrimination – TR includes the whole area under the D until the output is equal to the point where p=MR=MC. Now Draw TR as a straight line and the same TC will fall under TR—showing a profit, with the profit maximization point at quantity where P=MR=MC NOTE: with price discrimination P does not equal Average Revenue (AR)

**What are monopolies and how did they Get to be monopolies?**

Microsoft?

CL & P?

Yankee Gas?

Standard Oil (1905)

Google?

Facebook?

ATT (ma bell) up until late 1970s

**Factors**

Industry= Firm

No Close Substitutes—how does that fit a utility company?

Price Maker- Still subject to demand curve!- it can change the price by changing the quantity it produces- of course this is limited.

Blocked Entry- Legal? Illegal? How did Exxon manage it? How did Microsoft try to do it? Natural Monopoly?- Huge Economies of Scale, Patents/copyrights. Ownership of Essential Resources (Vertical integration)- NETWORK EFFECTS, Simultaneous Consumption (software)

Non-Price competition- PR, etc…

**Problems with monopolies**

Doesn’t produce at p= min ATC- no productive Efficiency

Doesn’t produce at MC= MB, Produces at MC=MR but since P>MR , unlike pure competition MC=MR

Efficiency loss ➔ dead weight loss

X-inefficiency- less pressure to be mean and lean

Rent Seeking- Lobbyists- etc… to maintain their position

Tech Advance---???? Note: ma BELL---WHEN MONOPOLY SET THE RECORD FOR PATENTS—ECON PROFITS—REINVESTED INTO R AND D

**What should government do?**

Break up? Sherman Anti-Trust Act?—WHAT IF NATURAL MONOPOLY,

Do Monopolies engage in predatory pricing tactics? Ie Standard Oil? Is that really so bad?

Regulated monopoly set P at ATC? No right to econ profit if pseudo govt company.

Set Price at MC? Many firms would sustain a loss